

**Department of Agriculture, Trade and Consumer Protection  
Division of Agricultural Development  
Agricultural Development & Diversification Program (ADD)  
Grant Project Final Report**

Contract Number: **20042**

Grant Project Title: Feasability and Business Planning for a Grass-Based Dairy Processing Cooperative

Amount of Funding Awarded: \$10,000

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Please use the following questions as a guide for writing your grant project final report. In your final report, please answer each question as it relates to your grant project.

1) What was the original intent of the grant?

The goal of our ADD grant project was to investigate the potential of establishing a dairy processing supply chain that utilizes grass-based milk and rewards the farmer with a premium for that milk.

- What did you want to accomplish with the grant?

Our objectives were to provide cooperating farmers with the opportunity to gain an understanding of what happens to their milk once it leaves the farm gate, including an understanding of dairy processing, retail marketing, and consumer preferences. In addition, our goal was to give them access to a premium market for their grass-based milk and help them establish a partnership with a processor to make their milk into a premium product.

- How was it expected to benefit Wisconsin Agriculture?

An overarching goal was to establish a recognition of grass-based dairy farming as a unique method of dairy farming that could provide value added market opportunities for dairy farmers and processors statewide.

- What makes this project work important or significant?

Nearly a quarter of Wisconsin dairy farmers utilize managed grazing for their primary source of forage. If this production system provides either a marketing opportunity or a milk with unique characteristics, it can potentially be utilized by farmers and processors to add value to their products. In either case, the Wisconsin dairy industry as a whole would gain.

2) What steps did you take to reach your goal?

We started the project by organizing our group, working with the farmers to create for themselves a framework and sense of vision for them to work toward. We organized several field trips to educate ourselves on consumer preferences as well as on the intricacies of processing. We developed a set of criteria for seeking out potential processing opportunities and began researching options. Several opportunities were identified and have been pursued.

- What worked?

I think that it was very effective for them to go through the exercise of developing an internal and external mission statement. We had them work together to establish a set of ground rules for working together based on mutual respect and focused on a mutually agreed on goal for their enterprise. Having those two principles in place (the long-term goal and the mutual respect) allowed them to deal with the challenges they faced with a level of trust and open communication that might not have been possible otherwise.

Two members of the group established a relationship with one other grass-based farmer and a cheese-maker to produce a line of grass-based cheeses. This company has had typical challenges typical of a new business, but is continuing to produce products and move forward. The other four farmers are pursuing a project with an established ice cream company which has been a slow process but may be near to fruition.

- What challenges did you face?

The biggest challenge we faced was when we had to decide on a processing opportunity that involved a substantial investment. Each farmer had to reflect back to his or her own personal needs and aspirations and make a choice based on those fundamental issues. Two of the farmers chose to move forward with that opportunity. Four others decided that this was not the option for them. Because of the foundation of honest communication and mutual respect that we laid, the farmers were able to work through their differences and move forward.

- What would you do differently?

I'm not sure I'd do anything differently. We went into the project knowing that we may not succeed at finding the right opportunity for this group, and we accomplished our goals of learning about the dairy processing industry and developing a knowledge base to allow the farmers to make informed decisions about potential opportunities.

### 3) What were you able to accomplish?

- What are the results from this project?

During the grant period, we explored two concrete partnership options that would link the farmers with processors to produce grass-fed dairy products. Two of the original 6 farmers chose to partner with a cheesemaker in Green County and invest in a cheese factory. They are currently making three types of cheese and marketing them as grass-fed products. The other four farmers are in the midst of negotiations with an ice cream maker who is interested in converting his entire product line to grass-fed and marketing the products with the direct link to the participating farmers. In addition to these two outcomes, all of the farmers gained a knowledge base and skill set that they will be able to utilize as their enterprises develop.

- Include any analysis of data collected or materials developed through project work.

We have not developed materials associated with the project, but plan to develop case studies on the two enterprises that came out of it.

### 4) What conclusions can you make based on project work and the analysis of collected data?

As a result of this project, we gained an in-depth understanding of the challenges of bringing a new product into the market. The new 'grass-fed' market is relatively untested and some products have done well and others have struggled. Our farmers also developed an appreciation for the very different skill set needed to process dairy products, as well as the skill set needed to market a product successfully. This realization brought us to the conclusion early in the process that we would seek out like-minded processors and marketers who we could partner with. As we discussed partnerships with various processors, we learned the importance of honest communication and of keeping your goals in the forefront. The farmers have become adept at this and have made tough decisions, and avoided compromising their long-term goals. The other thing that became very clear to us is the fact that the industry isn't set up for the scale of project we developed. There are many examples of farmstead scale projects and facilities to look to for examples, but at the scale of multiple farms, the processing capacity is limited. In our case, the farmers and the end processor/retailer had a shared vision for the product, but our stumbling block was the intermediate steps. The intermediate steps of processing the milk into cream and the cream into ice cream mix were contracted with a traditional, large scale processor that did not have the capacity to, or the interest in, segregating specialize milk for a special product. To solve this problem, we're looking at

partnering with a farmstead processor. This helps solve two problems in that this and many other farmstead processors end up investing in facilities with capacity that far exceed their needs (many are operating only 2 or 3 days per week). So, they are helping our group by processing our milk and they gain by more fully utilizing their processing capacity.

5) What do you plan to do in the future as a result of this project?

We will continue working to establish the partnership with the ice cream maker, which looks like it will be successful at this point. Once that enterprise is up and running, the farmers will no longer be in need of the support we've provided and we will move on to other projects. The experience we've gained assisting them will provide us with valuable knowledge as we endeavor to help other farmers and groups.

6) What information or additional resources are needed to commercially develop this enterprise?

One area where more information would be valuable is with regard to the chemistry of grass-fed milk. We have applied for a SARE research grant to do the research needed to determine the chemistry of the unique flavors and textures observed in grassfed milk. If successful, this grant will bring together UW food science, dairy science, and forage researchers with farmstead and larger processors and chefs to investigate the chemistry and cooking qualities of grassfed cheese, milk, butter and other products. The goal of this research is to create an understanding among processors as to the unique qualities of grassfed milk and potentially create a market for it for use in specialty dairy products.

7) How should the agricultural industry use the results from your grant project?

Our case studies should provide the industry with a template for an alternative to selling commodity milk or doing a farmstead project in which the farmer does everything from milking the cows to marketing the products. Our experience can inform producers who want to approach processors to engage them in partnerships in which both parties benefit from producing a higher value product. Wisconsin is unique in that we have retained many of our small, regional scale dairy processing plants and as a result, have many potential opportunities for both the farmers and the processors to gain from producing artisan products.